

Corporate Governance Report

Corporate Governance at Wolford

Commitment to the Corporate Governance Code

Wolford is convinced that carefully implemented and actively practiced corporate governance makes an important contribution to strengthening the confidence of the capital markets in the company. In September 2002, the Austrian Working Group for Corporate Governance issued a framework for responsible corporate management and control that is designed to support the sustainable creation of value. The goal of this guideline is to protect the interests of all stakeholders whose welfare is linked to the success of the company.

The Austrian Corporate Governance Code ensures a high degree of transparency for all of the company's stakeholders. Wolford has been committed to the principles of the code since the fiscal year 2002/03. The Austrian Working Group for Corporate Governance is responsible for publishing the Corporate Governance Code. The latest version is available under www.corporate-governance.at and on the Wolford website. The latest revision to the code, which took effect in January 2015, implements a recommendation made by the European Commission on April 9, 2014, concerning the quality of reporting on

corporate management ("comply or explain"). It also reflects the latest AFRAC opinion on the preparation and external evaluation of a corporate governance report as required by § 243b of the Austrian Commercial Code.

The code is based on the regulations of Austrian stock corporation, stock exchange and capital market law as well as the recommendations of the European Commission on the duties of the Supervisory Board and the remuneration of Management Board members as well as the OECD guidelines for corporate governance. The code provides a framework for corporate management and control.

The guiding principles of the code are intended to strengthen the confidence of investors in the company and in Austria as a financial marketplace and cover equal treatment for all shareholders, transparency, the independence of the Supervisory Board, open communication between the Management Board and Supervisory Board, the avoidance of conflicts of interest by bodies of the corporation and efficient control by the Supervisory Board and auditor. The code exceeds legal requirements, and compliance is volun-

tary. Observance of the code also means that the failure to meet C-Rules ("Comply or Explain") must be explained and disclosed. The Corporate Governance Report of Wolford AG is integrated in this annual report (pages 46 – 55) and is also available on the Wolford website under "Investor Relations".

In order to prevent insider trading, Wolford has issued a compliance guideline that implements the provisions of the Issuer Compliance Code published by the Austrian Financial Market Authority (FMA). Adherence to this guideline is monitored by the compliance officer.

Wolford's objective is to meet the expectations of capital market participants with respect to transparency and to provide shareholders with a true and fair view of the company. The Issuer Compliance Code of the FMA requires the simultaneous and identical communication of information. Wolford meets this requirement through the parallel distribution of current and share-relevant information on the company to analysts, investors and the media. This information is also published on the company website at the same time for private shareholders.

One Share – One Vote

The company has issued 5,000,000 zero par value common shares. There are no preferred shares or restrictions on the common shares. The principle of “one share – one vote” is therefore met in full. The Austrian Takeover Act ensures that every shareholder will receive the same price for his or her Wölford shares in the event of a takeover offer (mandatory tender). The shareholder structure is shown on page 45 of this annual report.

An internal audit department was established as a staff unit reporting directly to the Management Board to ensure the continuous optimization of risk management. This department reports to the Chief Financial Officer and also has a direct reporting line to the chairwoman of the Supervisory Board’s Audit Committee. Based on an audit plan approved by the Management Board and the Supervisory Board’s Audit Committee, as well as a Group-wide risk assessment of all corporate activities, the Management Board and the internal audit department regularly review operating processes to identify potential risks and opportunities for their improvement. Adherence to legal regulations,

internal guidelines and processes is also controlled. To support the early identification and monitoring of risks, the Internal Control System is reviewed on a regular basis, improvements are implemented and the results are reviewed. The internal audit department reports to the Management Board and the Audit Committee of the Supervisory Board on the audit plan for the following year and the results of its activities.

Deloitte Audit Wirtschaftsprüfungs GmbH, Rengasse 1 / Freyung, 1010 Vienna, was elected by the 27th Annual General Meeting (AGM) to audit the annual financial statements of Wölford AG and the consolidated financial statements of the Wölford Group for the 2014/15 financial year. There are no grounds for exclusion or prejudice that would be incompatible with a conscientious and objective audit by the Group auditor, Deloitte Audit Wirtschaftsprüfungs GmbH. In 2014/15, the fees for the audit of the consolidated financial statements and related services amounted to €0.13 million. The mandatory disclosures required by § 243a of the Austrian Commercial Code are provided on page 72 of the Management Report.

Management Board

Since January 7, 2015, the company has been directed by Ashish Sensarma, Axel Dreher and Thomas Melzer (until July 31, 2015).



Ashish Sensarma, CEO

Ashish Sensarma

Ashish Sensarma, born in 1959, has been a member of the Management Board and Chief Executive Officer since January 7, 2015. He was appointed for a term of office ending on April 30, 2016. He is a member of the strategic management of Rituals Home & Body Cosmetic, Amsterdam, as well as member of the Board of Directors of Shubh Properties Investments b.v.

He is responsible for the coordination of the corporate strategy, marketing and sales. From August 1, 2015, also responsible for IT.

Ashish Sensarma has more than 30 years of experience in the fashion industry. He is a retail expert for brands in the mid-priced and luxury segments with a global understanding of customer needs and extensive know-how in the integration of sales channels. Mr. Sensarma, who was born in India and is a Dutch citizen, started his career with Mexx, where he developed the retail business for more than 20 years and oversaw revenues of more than €400 million

across over 300 shops. He left Mexx in 2006, several years after the takeover by Liz Claiborne. He most recently served as Chief Operating Officer for the luxury swimwear brand Vilebrequin, which he developed into the global market leader in this segment. Mr. Sensarma is 55 years old, married and the father of two grown children. He holds a Bachelor of Science in business administration from Nichols College, Dudley, MA, with a major in finance.



Axel Dreher, COO/CTO

Axel Dreher

Axel Dreher, born in 1965, has been a member of the Management Board since March 1, 2013, and Deputy CEO since January 7, 2015. He was appointed for a term of office ending on October 31, 2018, and holds no supervisory board or other similar functions outside the company.

He is responsible for Production and Technology, Creative Direction, Product Development and the Supply Chain. Until January 7, 2015, he also was responsible for the wholesale and online business as well as for Marketing. From August 1, 2015, he will also be in charge of Finance, Internal Audit, Investor Relations, Legal Affairs and Human Resources.

Axel Dreher studied business administration and also received an MBA from the University of Pittsburgh with a major in Finance. From 2005 to February 2013, he served on the Management Board of Triumph International AG in Wiener Neustadt where he was responsible for commercial and operating activities. Mr. Dreher worked for the German Schaeffler Group/FAG Kugelfischer AG from 2001 to 2005, where he

was in charge of Finance & Controlling, Human Resources Management, IT and Procurement for FAG Austria AG as well as Finance & Controlling and Procurement for the utility vehicle segment of FAG Kugelfischer AG. He then assumed global management responsibility for a business unit, where his core duties involved Sales, Product Engineering, Purchasing and Production, and also included management and supervisory board positions in Hungary and India. He gained additional management experience in Research & Development, Finance & Controlling and operative management in the automotive components supply industry during his work at ITT Automotive Europe (1995 to 1998) and BorgWarner (1998 to 2001).



Thomas Melzer, CFO

Thomas Melzer

Thomas Melzer, born in 1970, has been a member of the Management Board since October 1, 2012 (he will resign on July 31, 2015). He holds no supervisory board or other similar functions outside the company.

He is responsible for Finance, Internal Audit, Investor Relations, Legal Affairs, Human Resources and IT. Until January 7, 2015, he also was responsible for the retail business.

Thomas Melzer holds a degree in business administration. From 2008 to 2011 he served as the Chief Financial Officer and Deputy CEO of Brain Force Holding AG, an international IT service and software company that is listed on the Vienna Stock Exchange. His professional career began with Wienerberger AG, the world's largest brick producer, where he worked in various areas from

1997 to 2008: from 1997 to 1999 in Controlling and Group Accounting, from 2000 to 2008 as the Head of Investor Relations and Corporate Communications. Mr. Melzer was a member of the Management Committee of Wienerberger AG from 2001 to 2008 and a member of the Supervisory Board of the Pipelife Group from 2007 to 2008. He was a member of the Management Board of Cercle Investor Relations Austria (CIRA) for seven years, where he served as its chairman from 2004 to 2007.

Supervisory Board Members and Committees

The Supervisory Board of Wolford AG consisted of five elected members up to the 27th AGM on September 18, 2014, and as of this date consists of four elected members as well as two representatives delegated by the Staff Council. The Supervisory Board held five meetings during the 2014/15 financial year. No Supervisory Board member was absent from more than half of the meetings.

**Antonella Mei-Pochtler,
Chairwoman since
September 18, 2014**

Vice Chairwoman up to the 27th AGM on September 18, 2014, at which she was elected Chairwoman of the Supervisory Board. Since the 27th AGM, chairwoman of the Presidium, Personnel and Nominating Committee, Remuneration Committee and Audit Committee as well as member of the Strategy and Marketing Committee. Independent; born in 1958; appointed up until the 31st AGM (2017/18); first elected on September 17, 2013.

- Senior partner and Managing Director of the Boston Consulting Group in Vienna and Munich
- No additional functions in listed companies

**Claudia Beermann,
Deputy Chairwoman since
September 18, 2014**

Since the 27th AGM, member of the Presidium, Personnel and Nominating Committee and Remuneration Committee as well as chairwoman of the Audit Committee.

Independent; born in 1966; appointed to the 31st AGM (2017/18); first elected on September 17, 2013

- Chief Financial Officer of Falkensteiner Michaeler Tourism Group AG
- No additional functions in listed companies

Lothar Reiff, Member

Chairman of the Strategy and Marketing Committee

Independent; born in 1954; appointed up until the 31st AGM (2017/18); first elected on September 17, 2013.

- Managing Director of Lothar Reiff Consultancy
- No additional functions in listed companies

Birgit G. Wilhelm, Member

Member of the Strategy and Marketing Committee.

Independent; born in 1975; appointed up until the 30th AGM (2016/17); first elected on September 12, 2006.

- Real estate manager
- No additional functions in listed companies

Anton Mathis, Member

Member of the Audit Committee.

Delegated by the Staff Council; born in 1960; first delegated on December 16, 1999

Peter Glanzer, Member

Delegated by the Staff Council; born in 1954; first delegated on March 19, 2001.

**Emil Flückiger, Chairman up
to September 18, 2014**

Chairman up to the 27th AGM on September 18, 2014, as well as member and chairman of the following committees: Presidium, Personnel and Nominating Committee, Remuneration Committee and Audit Committee.

Independent; born in 1939; appointed to the 27th AGM (2013/14); first elected on December 14, 1992.

- Certified Public Accountant, Management Consultant
- No additional functions in listed companies

The Supervisory Board established five committees: Presidium, Personnel and Nomination Committee, Remuneration Committee, Audit Committee, Strategy and Marketing Committee.

The **Presidium**, which includes the Chairwoman Antonella Mei-Pochtler and Deputy Chairwoman Claudia Beermann of the Supervisory Board, represents the company's interests in all matters related to the Management Board.

The Presidium met seven times during the reporting year to discuss current issues related to the Management Board and the search for a new Management Board member.

The Presidium serves as the **Personnel and Nomination Committee** for Wolford and is responsible for preparing all appointments to the Management and Supervisory Boards. Prior to the appointment of persons to these corporate bodies, the Personnel and Nomination Committee defines a requirement profile and prepares resolutions for the Supervisory Board or AGM based on a predefined selection process and succession planning. It also serves as a **Remuneration Committee** for the Management Board. In this function, the committee reviews the remuneration policy for the Management Board

at regular intervals and ensures compliance with the related provisions of the Corporate Governance Code.

The **Audit Committee** deals with the audit of the Group's consolidated financial statements and supervises financial accounting. It also monitors the effectiveness of the internal control, audit and risk management systems and reviews the independence and qualifications of the auditor based on peer reviews. Up until the 27th AGM, the Audit Committee included Claudia Beermann (Chairwoman), Emil Flückiger, Antonella Mei-Pochtler and Anton Mathis; the membership changed as of September 18, 2014, to

include Claudia Beermann (Chairwoman), Antonella Mei-Pochtler and Anton Mathis.

The Audit Committee met twice during the reporting year and dealt primarily with the following issues:

- The auditor's report on the audit of the annual financial statements for 2013/14
- The preparation of a recommendation to the Supervisory Board for the selection of an auditor for the 2014/15 annual and consolidated financial statements
- The company's development through the end of the first half of 2014/15

- The report by the Management Board on risk management of the Group
- The report by the internal auditor on the results of his audits

The members of the **Strategy and Marketing Committee** are Lothar Reiff (Chairman), Antonella Mei-Pochtler and Birgit Wilhelm. The committee held one meeting during the reporting year.

Responsibilities and Working Methods of the Management and Supervisory Boards

The Management Board is responsible for conducting the company's business in agreement with the relevant laws, the articles of association of Woldorf AG and the applicable rules of procedure for the benefit of the company, and in keeping with the interests of shareholders, employees and the general public. The rules of procedure for the Management Board, which are issued by the Supervisory Board, regulate working procedures and responsibilities. The Management Board, as a whole, directs the company, notwithstanding the allocation of specific responsibilities. Issues of fundamental importance must be approved by the full Management Board. In addition, the rules of procedure for the Management Board include a catalogue of measures that require the approval of the Supervisory Board.

There is a continuous flow of information between the members of the Management Board. This takes place formally in at least two monthly Management Board meetings.

At regular meetings (at least once per quarter), the Management Board provides the Supervisory Board with timely and comprehensive information on all issues that are relevant to the company's economic and strategic development, including the risk positions and risk management of the company and key subsidiaries. Crucial information is reported to the Chairwoman of the Supervisory Board immediately by the Management Board. Additional meetings are scheduled to deal with important issues such as the discussion of the company's strategy. The Supervisory Board is supplied with all

information required to fulfill its consultative and control functions. In accordance with the Corporate Governance Code, the Management Board and Supervisory Board also hold regular discussions on the company's development and strategic orientation outside the Supervisory Board meetings.

The Supervisory Board carries out its duties in accordance with legal regulations, the articles of association and its rules of procedure.

The Supervisory Board is responsible for decisions on issues of fundamental importance and the strategic orientation of the company. It establishes qualified committees in accordance with the specific circumstances of the company and the number of its members.

These committees are designed to increase the efficiency of the Supervisory Board's work and improve the treatment of complex issues. However, issues delegated to the individual committees may still be handled by the full Supervisory Board. The chairperson of every committee regularly reports to the full Supervisory Board on the work of his or her committee. The Supervisory Board is also required to authorize a committee to make decisions in urgent cases.

Employee participation on the Supervisory Board and its committees is a legally regulated aspect of the Austrian Corporate Governance system. In accordance with the Austrian Labor Constitution Act, employees are entitled to delegate one representative to the Supervisory Board and its committees for every two Supervisory Board members (shareholder representatives) elected by the AGM. These employee representatives exercise this function on an honorary basis and can be recalled by the Staff Council at any time.

None of the Supervisory Board members have business or

personal relationships with the company or the Management Board that could provide grounds for a material conflict of interest and therefore influence the behavior of the respective Supervisory Board member. The company maintains business relationships with individual members of the Supervisory Board, which are billed at ordinary market rates and are not material in total. In particular, Lothar Reiff advised the company in the following areas during the vacancy in the position of the CEO: the refocusing of market communication, the design of the collection, the organizational structure in design and product development and the reduction of the time-to-market. A standard but immaterial market fee was agreed for these services, which was charged on the basis of the work performed.

All members of the Wolford AG Supervisory Board are considered independent according to the criteria defined by the Austrian Corporate Governance Code. Statements to this effect were submitted by all Supervisory Board members. In accordance with

§ 95 of the Austrian Stock Corporation Act, the Supervisory Board's main responsibility is to supervise the work of the Management Board. The current Supervisory Board meets this responsibility in full. Wolford AG has a free float component of more than 20% and less than 50%. Since the 27th AGM, the Supervisory Board has included at least three members (Antonella Mei-Pochtler, Claudia Beermann and Lothar Reiff) who are neither shareholders with an investment of more than 10% in the company nor representatives of the interests of a large shareholder.

Wolford AG has not granted any loans to members of the Supervisory or Management Boards.

The Internal Audit department of Wolford AG evaluates compliance with the rules of the code each year based on a questionnaire developed by the Austrian Working Group for Corporate Governance. Based on the results of this evaluation, the deviations from the C-Rules are explained below.

Deviations from C-Rules Corporate Governance Code

C-Rule 36, Question 3

The Supervisory Board did not carry out a self-evaluation in 2014/15.

The Supervisory Board was newly constituted in 2014/15 and therefore waived a self-evaluation during the reporting year. A self-evaluation is planned for 2015/16.

C-Rule 62

There was no evaluation of compliance with the C-Rules of the code by an external institution during the past three years. However, an annual review is carried out by Wolford's internal audit department. A separate review by an external institution would not lead to different results and would only cause avoidable costs. The Management Board made the

decision to only carry out an internal audit of compliance with the C-Rules in agreement with the Supervisory Board.

C-Rule 83, Question 1

The auditor's engagement did not include an evaluation of the effectiveness of the risk management system. The Supervisory Board made this decision in agreement with the Management Board.

However, the auditor issued a management letter that reports on selected aspects of the accounting-related internal control system. This letter was presented to the chairwoman of the Supervisory Board and discussed in detail at a Supervisory Board meeting. The Audit Committee also held two meetings during the reporting year which focused on the results

of the internal audit activities. In addition, there is a direct reporting line from internal audit to the chairwoman of the Audit Committee. The Supervisory Board is therefore able to draw sufficient conclusion concerning the effectiveness of the risk management system.

Remuneration Report

The Remuneration Report summarizes the principles applied in determining the remuneration for the Management Board and explains the amount and structure of these payments. It also describes the underlying principles and amount of the Supervisory Board's remuneration. The Supervisory Board delegated the determination of remuneration for the Wolford Management Board to the Presidium, which also serves as the Remuneration Committee.

In accordance with the Austrian Stock Corporation Act, the members of the Management Board are appointed for a specific term of office. The employment contracts for these persons were concluded for the defined period of time and cover the amount and structure of remuneration. The goal of the remuneration system is to provide the members of the

Management Board with compensation that is appropriate in national and international comparison and reflects the scope of their functions and responsibilities.

The remuneration system for the Management Board comprises a fixed and a variable component.

The fixed component reflects the respective area of responsibility and, according to standard practice in Austria, is paid in 14 monthly installments. The variable component is based on the success of the company and the performance of the individual Management Board member and is linked, in particular, to the attainment of quantitative targets and sustainable, long-term and strategic goals. The total amount of remuneration represents appropriate compensation for the duties and responsibilities of the individual

Management Board member as well as the position of the company and common industry practice.

The variable component of remuneration for Chief Executive Officer Ashish Sensarma will be implemented starting with the 2015/16 financial year and is based on the ratio of earnings before tax to revenues. This component of Mr. Sensarma's remuneration is capped at 30% of annual fixed remuneration. A long-term incentive program was also implemented for the Chief Executive Officer and covers the financial years from 2015/16 to 2017/18. The program is based on the development of Wolford's share price and the attainment of targets for earnings before tax in relation to revenues. This remuneration component is first payable in 2017/18.

Scheduled Management Board Remuneration in €	2014 / 15 Fixed	2014 / 15 Variable	2014 / 15 Total	2013 / 14 Total
Ashish Sensarma (since 07.01.2015)	152,351	0	152,351	0
Axel Dreher	374,504	268,153	642,657	422,583
Thomas Melzer	392,341	264,391	656,732	428,531
Holger Dahmen (up to 31.01.2014)	0	0	0	481,583
Total	919,196	532,544	1,451,740	1,332,697

The variable remuneration for Axel Dreher was adjusted to reflect this system as of May 1, 2015, so both Management Board members will be remunerated on the same basis.

The variable component of the remuneration of Axel Dreher and Thomas Melzer for the 2014/15 financial year was based on the following four factors:

- the attainment of a target for revenue growth
- the attainment of budgeted EBIT for the financial year
- an increase in the shareholder value based on growth of the Wolford share price
- and a sustainable, long-term and strategic goal.

For the Management Board members, the four above-mentioned variable components are capped at roughly 75% of fixed remuneration.

The scheduled remuneration for the members of the Management Board amounted to € 1.45 million in 2014/15 (2013/14: € 1.33 million). Of this total, 63% represent fixed (2013/14: 79%) and 37% variable remuneration (2013/14: 21%).

There is no stock option plan for the Group's management.

On the termination of a Management Board contract, the respective member is entitled to severance compensation in analogous application of the Austrian Salaried Employees Act. A provision of €0.73 million was recognized in the 2014/15 financial statements as termination benefits for Chief Financial Officer Thomas Melzer. The payment will be made at the end of July 2015.

There are no pension fund agreements or defined benefit commitments for the active members of the Wolford Management Board. Expenses of €0.13 million were recognized in 2014/15 for former members of the Management Board (2013/14: €0.40 million).

A member of the Management Board may only take on additional duties outside the company with the approval of the Supervisory Board. This ensures that neither the time involved nor the remuneration received will lead to a conflict of interest with the individual's responsibilities on behalf of the company. In principle, no remuneration is paid for positions in Wolford's subsidiaries.

The AGM determines the remuneration for the elected Supervisory Board members and attendance fees. The 27th AGM approved

the following new remuneration structure for the Supervisory Board, which applies until further notice.

Remuneration for the function as well as for preparing and attending the four regular Supervisory Board meetings each financial year: Chairwoman €50,000, Deputy Chairwoman €35,000, members €25,000.

Furthermore, the committee members receive:

- Audit Committee with two meetings per financial year: Chairwoman €5,500 and members €5,000 each
- Strategy and Marketing Committee with two meetings per financial year: Chairman €5,500 and members €5,000 each
- Additional extraordinary meetings with all members of the Supervisory Board are remunerated with €4,000 per member and meeting.

The remuneration for the reporting year totaled €0.19 million (2013/14: €0.19 million) and was distributed as follows:

Supervisory Board Remuneration in €	2014/15	2013/14
Antonella Mei-Pochtler, Chairwoman (as of 18.09.2014)	58.000	32.000
Claudia Beermann, Deputy Chairwoman (as of 18.09.2014)	41.500	19.250
Lothar Reiff	31.750	16.500
Birgit G. Wilhelm	31.500	35.500
Emil Flückiger, Vorsitzender (up to 18.09.2014)	27.500	71.000
Werner Baldessarini (up to 17.09.2013)	0	19.000
Total	190.250	193.250

Payments for services above and beyond the above-mentioned Supervisory Board duties are described in the Corporate Governance Report on page 52. There are no pension fund obligations for members of the Woford Supervisory Board. Woford has concluded directors and officers (D&O) insurance with coverage

of €25 million for the members of the Supervisory and Management Boards, key employees and the managing directors of subsidiaries. The company carries the cost of this insurance. The purchase and sale of Woford shares by the members of the Management Board and Supervisory Board are reported to the Austrian Financial

Market Authority in accordance with § 48 of the Austrian Stock Exchange Act. No directors' dealings were reported in 2014/15.

Measures to Promote Women

In contrast to many other listed companies, the Supervisory Board of Woford AG has an unusually large share of women – three of the six members. There is no specific plan for the promotion of women on the Management Board, Supervisory Board or other key functions in the company and its subsidiaries. The best candidates

are selected for available positions, independent of gender, age, religion and ethnic origin. Many of the leading positions in Woford AG and its subsidiaries are filled by women. Attractive part-time models are offered to mothers returning after maternity leave, which help to support the work-life balance.

The focus on its own points of sale and, above all, a product line that is oriented to women are reflected in the Woford Group's workforce with an above 80% share of women.